



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 10, 2008

H.R. 2780

A bill to amend section 8339(p) of title 5, United States Code, to clarify the method for computing certain annuities under the Civil Service Retirement System which are based on part-time service

*As ordered reported by the House Committee on Oversight and Government Reform
on March 13, 2008*

H.R. 2780 would alter the way retirement benefits under the Civil Service Retirement System (CSRS) are calculated for workers with part-time service. The bill would apply to workers who performed work prior to April 7, 1986, and who retire from part-time service after the bill is enacted.

CBO estimates that the change would increase direct spending by \$1 million in 2009 and \$63 million over the 2009-2018 period. The estimated budgetary impact of H.R. 2780 is shown in the following table. The costs of this legislation fall within budget function 600 (income security). Implementing the bill would not have a significant effect on discretionary spending. Enacting the bill would not affect revenues.

	By Fiscal Year, in Millions of Dollars										2009-	2009-
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013	2018
Estimated Budget Authority	1	2	4	5	6	7	8	9	10	11	18	63
Estimated Outlays	1	2	4	5	6	7	8	9	10	11	18	63

Under current law, benefits for CSRS workers with part-time service are calculated using a two-step process—the calculation of an annuity for service prior to April 7, 1986, and a separate calculation related to service on or after that date. The worker's retirement benefit is the sum of those two annuities.

For workers who were employed prior to April 7, 1986, the current formula uses the worker's actual earnings over his or her entire career (whether full-time or part-time) to determine which three years' salaries are counted in calculating the annuity for service prior to the above date. Thus, years of part-time service might not be used for that calculation, even though the hourly salary in those years might be among the highest three.

For work on or after April 7, 1986, the formula uses a deemed salary (what the worker would have been earning if the worker had been working full time) to determine benefits and applies a pro-rata factor to adjust for part-time service. Because salaries tend to increase over time, part-time service at the end of a career is likely to have a higher hourly rate than part-time service at the beginning of a career. Thus, the current formula effectively treats new retirees with part-time service early in their careers more favorably than those whose part-time service comes at the end of their careers.

Under H.R. 2780, CSRS benefits would be calculated by treating all part-time service according to the formula currently used to determine benefits for service performed on or after April 7, 1986. To ensure that benefits under the new formula would not be smaller than benefits calculated under the current formula, part-time service performed prior to April 7, 1986, would be credited as full time. CBO estimates this provision would affect benefits for several thousand new CSRS retirees each year and that more federal workers would shift to part-time service before retiring. Depending on an individual employee's work history, benefits for those retirees could, on average, increase by up to \$2,000 in 2009; that average increase would decline to about \$500 in 2018.

H.R. 2780 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

The CBO staff contact for this estimate is Sam Papenfuss. This estimate was approved by Peter H. Fontaine, Assistant Director for Budget Analysis.